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461 During a labor emulation drive, those chosen to be "model" workers were honored and their experience and methods were publicized. In Shanghai, 251 "model" workers were awarded medals for their achievements at a conference held in their honor in May 1954. Local government leaders and some 1,200 outstanding workers were present at the ceremony.[23] Tsingtao is the home of the nationally known "labor heroine", Ho Chien-hsiu, who succeeded in cutting the proportion of cotton wasted on the spindles she tended from 1.5 per cent to 0.25 per cent. Her method has been introduced as standard practice throughout the textile industry; it is reputed to increase annual production by 44,460 bales of yarn.[24] Ho Chien-hsiu was sent as a worker's representative to the Chinese People's Political Consultative Conference held in Peking in November 1952.

VI. WAGES AND PURCHASING POWER

465 As a result of the Communist occupation and of continued inflation in East China, the methods of wage payment were in considerable confusion by 1952. The industrial cities of the five provinces of the East China Region had many different systems for paying their workers. Some were paid in terms of "commodity-equivalent" units,[25] and some were paid in terms of

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23. NCNA, June 3, 1954.

24. New China Monthly, Oct. 1951, pp. 160-61.

25. "Commodity-equivalent" units were based on the price of essential commodities and used by Communists as savings deposits.

465 rice or flour, some on a simple cash basis. In March 1952, after the East China Military and Political Committee had issued "Regulations Governing the Unified Calculation of Wage Units in East China,"[26] the method of wage payment was standardized, with only slight variations in different localities, in accordance with the price of local commodities. One wage-unit consisted of the total retail value of 0.8 catty of rice, 0.02 catty of salt, 0.05 catty of edible oil, 2 catties of coal, and 0.2 ch'ih (one ch'ih equals 1.09 feet) of cotton cloth. At the time regulations were issued, the monetary value of one wage-unit was quoted at 2,670 yuan (old currency). The monetary value of the wage-unit was announced daily in local newspapers.

Under the system introduced in 1952, there were eight principal grades of workers, ranging from unskilled to highly skilled. The basic wages within each of these grades were fixed at different levels for each industry in accordance with its importance to the national economy. The basic monthly wage[27] for a skilled worker in Shanghai was reported to be about 400,000 yuan (old currency) in July 1952, equivalent to about U.S.$20. A miner in the Hwai-nan Coal Mine could earn as much as 700,000 yuan (basic wage plus compensation at

26. Liberation Daily, Shanghai, Mar. 30, '52, p. 2

27. Ibid., July 1, 1952, p. 2. Figures worked out from those given in Liu Ch'ang-sheng's speech. He reported that one skilled worker earned 500 catties of rice per month. One catty of rice was sold for 1,500 yuan in July 1952. At that time, one U.S. dollar was quoted in Liberation Daily as equal to 20,000 yuan.

465 piece rates) per month.[28]

the workers of Communist China were told to increase production, but an increase in earnings lagged far behind the increase in production. In the case of the Huai-nan Coal Mine, gross earnings increased only 30 per cent in 1952 above earnings in the previous year, and this was at a time when the industrial output of local and private enterprises had been doubled. Average labor productivity in the East China Region in the first six months of 1952 was reported to be 169 per cent above that of 1949.[29]

434 The Chinese Communists assert that the 465 increase in earnings is reflected in the increase of purchasing power and the standard of living. In East China, purchasing power in 1952 was reported to be 40 per cent higher than in 1950.[30] In Shanghai, the supply of consumer goods in 1952 was more than twice that of 1951. In Nanking, the volume of retail business in the first months of 1952 was 44 per cent higher than the volume reported for the corresponding period in 1951.[31]

454 It is true that the earnings of Chinese work- 465 ers have increased since 1952, but gross income

28. Basil Davidson, Daybreak in China, London, 1953, pp. 100-106.

29. Ibid., pp. 84-85.

30. Economic Bulletin, Hong Kong, February 24, 1953, p. 10.

31. Ibid., September 8, 1953, p. 6; Oct. 20, 1953, p. 2.

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has been subjected to various deductions -- union fees, "voluntary" contributions, and the compulsory purchase of government bonds. For example, the employees of all publicly owned enterprises in Shanghai and Tsingtao "voluntarily" gave up their New Year's bonuses in January 1950 after the Government Administration Council asked them to help the nation increase its capital for national construction.[32] Trade unions urged workers in private enterprises to do the same. When the Communist government issued Victory Bonds in early 1950, 45,000,000[33] points were allocated to the East China Region. Activists and union cadres initiated the sale among the workers. On December 20, 1949, the workers in the Electric Power Company in Shanghai pledged 1,070 points. Seamen in Shanghai bought 10,000 points within two weeks in January, 1950 and pledged to buy bonds to a total of 100,000 points in that year.[34] During the Resist-America-Aid-Korea Movement, workers in Shanghai, Nanking, Tsinan, and Tsingtao contributed a large amount to the war fund.

In mid-1953, the Chinese Communists forced workers to deposit anywhere from 25 to 30 per cent of their monthly income in the local People's Bank.[35] The People's Bank in Shanghai

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32. Workers' Daily, Feb. 1, 1950, p. 4.

33. One point consists of the total values of 6 catties of rice (one catty equals 1.10 lbs.), one catty of flour, 4 chih of cotton cloth (one chih equals 1.09 feet), and 16 catties of coal. See Workers' Daily, Dec. 31, 1949, p. 4.

34. Ibid., Dec. 26, 1949, p. 4; Jan. 14, 1950, p. 4.

35. China Weekly, Jan. 4, 1954, p. 41.

revealed that in 1951 the bank had nearly six times as many depositors as in 1950, and the majority of these depositors were industrial workers.[36] The increase of deposits was not necessarily an indication of an increase in earnings; it represents the system of "compulsory savings" which the Communists used to prevent inflation and to cope with the scarcity of consumer goods in Communist China. After "voluntary" contributions and compulsory savings, there was little money left for the workers to spend. Accordingly, the Communist reports of an increase in the standard of living are somewhat suspect.

VII. LABOR WELFARE

A. Labor Insurance and Health

The Chinese Communist promulgated Labor Insurance Regulations in March 1951 and revised them in January 1953. At first, they were applied only to enterprises employing one-hundred or more workers. After revision, the regulations were broadened to provide insurance for small enterprises. By the end of 1954, more than 5,380,000 workers in Mainland China had been insured against losses caused by death, old age, illness, and disability.[37] Workers' hospitals, sanitoriums, rest homes, and creches were established under the labor insurance regulations.

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36. NCNA, Shanghai, October 7, 1954.
37. People's China, May 1, 1955, pp. 3-5.

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435 proportionate costs of labor and power. The same comment applies to the high figure for machinery.

288 In a generally more careful work dealing only with the cotton 435 industry, Fong Hsien-ting, as shown in the accompanying table, provides a different estimate of costs in the production of cotton yarn in Shanghai in 1930.[37]

Cost Item	*Percentage of Total Costs*
raw cotton	42
labor	30
power	8
overhead and interest	20
	100

These seem much more reasonable, and they are generally substantiated by the findings of Moser and of Pearse.[38] Liu's figures for cotton spinning are also suspect because in 1934 a larger proportion of the mills' supply was the cheaper domestic cotton (see above, p. 172). If we may accept these figures of Fong's as a closer approximation to the facts than Liu's, we have at least some idea of the proportionate cost of delivered raw materials in Shanghai's largest industry, cotton spinning, and we may justifiably assume that this cost was of approximately the same order of magnitude in the other cotton industries and in the silk industries, since Liu's figures show a maximum spread of only 10 per cent among the raw materials' cost in the textile industries which he covers, and since both cotton and silk supplies came very largely from the local delta area. We have unfortunately no check on Liu's estimates of raw materials' costs in other leading Shanghai industries. Since with the exception of flour milling and machinery, these other figures seem reasonable, we can only accept them with caution.

435 Even after this revision, however, the best estimate which can 489 be made of the proportionate costs of raw materials in Shanghai manufacturing still shows these costs to be high by Western [465] standards.* There are two major reasons for this: the relatively low cost of labor, and the relatively high cost of transport. The first

*The United States Census of Manufactures for 1939 gives value figures for manufacturing costs in major categories of manufacturing in the United States in

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

approached for their views on an industrial census, the last-named as to their willingness to supply needed information. With world-wide hostilities raging, the usual reluctance to supply confidential information was enhanced in most national groups. It was necessary therefore to abandon the plan, and in consequence no accurate measuring rod exists with which to assess Shanghai's industry.

During the first half of 1942, the Asia Development Board, the organ of the Japanese Military which dealt with economic questions, undertook a complete study of all industry, of whatever national ownership, with a view to its use in Japan's war effort. The results have naturally not been made available.

The great majority of factories and workshops in the Settlement were, prior to December 1941, of Chinese ownership. The larger plants and those employing the most workers were generally in foreign (Japanese and western) hands; and, of these, western interests owned the comparatively few plants which approximated "heavy industry." In general, foreign-owned plants were modern and well-operated. Except in the textile industry their hours of work were shorter than in Chinese plants. Earnings were somewhat higher also. It is believed that in Shanghai there were some 1,800,000 spindles in 38 Japanese-owned or Japanese-controlled cotton textile enterprises, 240,000 in five British, and 650,000 in 21 Chinese-owned cotton mills.[2] Individual cotton mills employed as a rule from 1,000 to 4,000 workers, some more. There were few other Chinese-owned plants with as many as 1,000 employees, and though a larger number of medium-size Chinese-owned industries existed, many of them were but extensions of domestic industry.

In the absence of sufficient small buildings erected for industrial purposes, hundreds of small Chinese factories and workshops were housed in buildings originally designed as dwellings and converted to industrial use. In the majority of cases, those who worked in these buildings lived in them without sleeping accommodations separate from their working quarters. A workshop by day was a dormitory by night; untying a bedding roll and spreading it out made sleeping quarters of the same few square feet in which the daytime tasks were performed. The housing congestion which is de-

[2] A world total of 145,923,000 spindles was divided in part as follows: China, 4,450,000 spindles (estimated); Japan, 11,502,000; India, 10,054,000; Great Britain, 36,322,000; the United States, 25,378,000; European continent, 50,205,000. (*The Cotton Year Book*, New York Cotton Exchange, New York, 1939.)

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

CHAPTER IV

ECONOMIC AND SOCIAL ASPECTS OF EMPLOYMENT

465 THE WAGE LEVELS IN modern industry in Shanghai during its early decades were influenced by those ruling in small-scale enterprises during the pre-industrial era and by the general level of earnings in the countryside. Since these were low, the earnings of a principal wage earner in large-scale industry have never been sufficient for the needs of his family. This situation can be traced partly to the existence of a superabundance of labour supply. Considering the comparatively small cost of maintaining the low standard of living of workers' families in pre-hostility days, it would seem not to have been essential that modern industry should thus have developed on wages in general too low for the family needs.

458 In view of the severe inflation which by 1942 had so greatly affected the lives of the Chinese people whether in occupied or free China, it is fortunate that a most comprehensive and basic study of the cost and standard of living of Shanghai workers exists which was based upon budgetary enquiries over the twelve months, April 1929 to March 1930, and was conducted by the Bureau of Social Affairs of the City Government of Greater Shanghai. The study made use of the daily recorded incomes and expenditures of 305 families whose heads were manual workers.[1]

162 The average size of the family was found to be 4.62 persons, the equivalent of 3.28 male adults. The average number of gainfully employed persons was 2.06 per family. The significance of this figure will be understood when the family income is analysed.

465 The average annual income of the families studied was $416.51.[2]
434 Of this amount, however, the study showed that the combined
511 earnings of all family members comprised only 87.3 per cent. The

[1] The study necessitated visits by investigators to families every day for a whole year, since many were unable to record expenditures. A sample re-study was undertaken is the last months of 1941 and the beginning of 1942.

[2] All dollar figures, except where otherwise stated, refer to Chinese National Currency. The Japanese-supported Nanking regime instituted Central Reserve Bank notes in 1941 which in 1942 were declared only legal tender in Shanghai, displacing Chinese National currency at the rate of CNC $2.00 to CRB $1.00.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

earnings of the principal wage earner provided only 53.3 per cent, other members contributing 34 per cent. An amount of 12.7 per cent had to come from other sources. It is thus obvious that the earnings of a principal wage earner were but a relatively small part of the family income, and that the earnings of a least a second member of the family were needed. In addition to the earnings of both of these, financial support from relatives and friends had to be sought, or borrowing from moneylenders was necessary; otherwise income had to be obtained from such activities as peddling or sub-letting rooms.

The average family expenditure was $454.38, leaving an average annual deficit of $37.87. If income from wages earned by all family members only is considered, disregarding income from other sources, the average annual deficit was found to rise to $121.23. The excess of the family expenditure over the income of the principal wage earner was greater still. Working-class families, it goes without saying, spend extremely carefully; the majority of their expenditures are for basic needs.

It may be assumed that the 1929-30 standard of living remained virtually unchanged until the end of 1936, the last normal year before Sino-Japanese hostilities. The cost of living index (1926—100) was at 101.98 in 1929, 116.79 in 1930, and 105.04 in 1936. In other words, costs in 1936 were approximately what they had been in 1926, and below the 1930 level.

The outbreak of hostilities in August 1937 affected extensively the livelihood of the workers. The 1926 base period of the index, being remote in time, ceased to be significant, and in 1938 the index was recalculated on a 1936 base. Changes in living costs were somewhat slow to appear since not until August 1939 did the index figures show the cost to be double what it had been in 1936. Thereafter, however, changes were rapid. Certain basic foods disappeared from the markets. By the beginning of 1940, *sien mee*, a popular native rice, was no longer procurable, and second-grade Saigon rice replaced it as the people's food. *Kan mee*, a non-glutinous Chinese rice, reached the Shanghai markets only in small quantities and at high prices. Finally, in February 1941, orders for Saigon rice could not be placed in Indo-China, and Saigon rice in turn was replaced as the workers' food in May 1941 by Rangoon rice imported via Hongkong by the Settlement

3: Hinder G-5 (1939-1942) 1944 AF15 East China AF15

Discrepancies between earnings and costs tend to become aggravated when living costs rise. The difference between what a principal wage earner could earn and what it cost his family to live became so wide that a serious lowering of living standards inevitably resulted.

To help to check the inflationary tendencies which from 1938 onward appeared, wage levels should in theory not have been permitted to rise. Instead, price levels should have been fixed and spending sharply reduced. The currency of the Settlement was that of the Chinese government faced with fighting a long war. With the provinces near Shanghai in Japanese military control and there being, for a long time after the withdrawal of the Chungking authorities from Nanking virtually no government in the area, there was no possibility of such organised measures being put into effect. With rising living costs the only alternative, therefore, was to raise earnings standards, though admittedly this contributed to further price rises. Moreover, it is one thing to limit spending in a country where there is a margin which can be eliminated and another to do so at the risk of seriously reducing the standard of living. In Shanghai where workers must spend all of their earnings and more on basic necessities, to limit spending presented, to say the least, a difficulty.

Studies of wages and earnings in 1941 show that industry, both foreign-owned and Chinese-owned, attempted to bridge the gap between rising living costs and what the pay envelope contained. On a 1936 base of 100, the earnings index of Chinese-owned plants in 1941 stood at 457.65, an increase of almost 100 over the earnings index of 242.65 in 1940. In foreign-owned plants the earnings index was 465.54 in 1941. Though slightly below the earnings index of Chinese-owned plants, the money earnings in foreign-

Creditor	*Amount of loan*	*Interest*	*Currency of loan at time of enquiry*
A Sikh	$20	$2 per month	30 months
A friend	50	5 "	24 "
A woman	30	2 "	24 "
A widow	25	1.50 "	12 "
		Principal and Interest	
A liftman	15	$6 per month	6 months
A fellow worker	15	6 "	5 "
A chauffeur	15	6 "	3 "
A chauffeur	20	8 "	2 "

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owned enterprises were considerably higher. Calculated upon the July 1941 Revised Index of cost of living of Chinese workers, the real wage index was 53.64 in 1941 and in foreign-owned plants 53.39. That the real wage position was not worse was due to the sincere efforts of industry to make as substantial adjustments as possible. The following table shows the real wage indices in Chinese-owned plants since 1930.

INDICES OF ACTUAL EARNINGS, COST OF LIVING (REVISED), AND REAL WAGES 1930-1940[a]

New Base: 1936=100

	1930	*1931*	*1932*	*1933*	*1934*	*1935*
Actual earnings	106.95	107.34	106.08	103.21	98.10	90.49
Cost of living (revised)	108.75	106.63	100.64	92.32	92.52	93.45
Real wages	98.34	100.67	105.41	111.80	106.03	96.83
	1936	*1937*	*1938*	*1939*	*1940*	*1941*
Actual earnings	100.00	84.83	92.38	119.09	242.47	467.65
Cost of living (revised)	100.00	119.09	155.28	202.99	430.61	871.89
Real wages	100.00	71.23	59.49	58.67	56.31	53.64

The index figures of cost of living of Shanghai workers, as earlier stated, were based upon the work of the former Shanghai Chinese City Government, whose continuance the Council assured after that Government's withdrawal following 1937 hostilities. It was not clearly seen, at the end of 1937, that these figures would assume importance in subsequent years when declining dollar values destroyed previous earnings standards. The regular monthly publication in the press and in the *Gazette*, official publication of the Council, of amounts in dollars which must be available to cover the family's living cost proved useful in helping in adjustments of earnings. The Division was consulted on many occasions by both Chinese and foreign employers and asked to make concrete recommendations as to the actual amounts which should be paid.

In addition, the work of mediation in industrial disputes which was a regular activity of the Division was important in assisting wage adjustments. While some employers forestalled otherwise inevitable labour disputes, anticipating them through raising earnings when significant rises in living costs appeared, others, perhaps in some cases in less satisfactory financial situations, and unable

[a] Indices derived from the "New" Index based on December 1941-January 1942 studies, were not available in August 1942, the date of last contact with Shanghai.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

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to take precautionary steps, found themselves confronted with demands by workers for wage adjustments. Though by no means the whole number of disputes which occurred in 1940, 111 cases were mediated by the Division in that year.

In 1941, 138 disputes were mediated, 57 strikes, 81 cases of unrest in which cessation of work was avoided. In 1940, 431 establishments and 35,000 workers were involved; in 1941, 245 establishments and 45,000 workers. Among the latter 176 establishments were under Chinese management, 45 British, 19 American, three Swiss and one each under German and Russian management. Sixty-five per cent of the cases involved earnings. In the majority of these, settlement was obtained through the granting by employers of increases, whether in the form of wage increases, percentage cost of living allowances, rice or commodity allowances, payment of rice in kind, bonuses, or other devices to achieve the desired end.[6]

Hence, although the authorities lacked legal power to enforce an announced minimum wage or to require submission of industrial disputes to the administration, the actual existence and publication of regular information on minimum living costs and the provision of facilities for independent mediation by the Industrial and Social Division proved useful in adjusting difficulties caused by the steep rise in living costs. Indeed, the power which accurate information can exert in its own right, and the influence which voluntary mediation can also exercise was amply shown in the difficult period in Shanghai since the outbreak of hostilities in 1937. While obviously there was no universally satisfactory adjustment, and while poorly organized, under-capitalized enterprises continued to employ workers at rates inadequate to make even the usual contribution to support their families, in a greater number of cases than might have been anticipated, the power of facts and of reason was demonstrated. In the absence of compulsory

[6] Rice allowances have long existed in Shanghai. In order to alleviate the distress of their workers, whose very existence depends on their ability to obtain rice, many employers even prior to hostilities paid a monthly allowance which represents at least a part of the difference between the prevailing cost of rice and a certain minimum wage previously agreed upon by employer and employee. This grant is a "rice allowance." Other forms of compensatory allowances may be granted. For example, many employers prefer to leave basic wages as before and to add to them percentage cost of living allowances on basic pay, commodity allowances in cash, and, in some cases, even rice and commodities in kind.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

465 633 powers, such services of advice, consultation, presentation of facts and voluntary mediation are important functions of the administrative authorities. With the full powers that the Chinese authorities will exercise in future in re-occupied Shanghai it is hoped they will be able to build upon the foundations already laid.

439 463 465 Shanghai was a city of large trading interests before it attained significance as a manufacturing centre. It was still, at the outbreak of Pacific hostilities, an important commercial city with a large export trade despite the severance of the Yangtse Valley trade after 1937. It was, prior to December 1941, the banking centre of China. After 1937 it was an important educational centre to which universities and middle schools from provincial cities had come when Sino-Japanese hostilities caused their withdrawal. There was therefore a large professional class in the community—professors, teachers, doctors, lawyers. The question of what happened to their livelihood is as significant as is the fate of the workers' economy.

A study of the standard of living of Chinese salaried employees was made in October-December 1941. So excellent a response to the request for the keeping of detailed information was made that, out of 1038 families responding, 441 perfect records were available. Originally it was intended to limit records to families with incomes below CNC$1000, but those with incomes beyond this amount so readily supplied information that the limit was waived. The majority of incomes were between CNC$500 and $1500. A Provisional Cost of Living Index was developed by May 1942 from the records of 100 families to meet the immediate need for a criterion to judge the situation in which Chinese salaried employees found themselves.

162 The average salaried family was found to be larger than the worker's family—6.60 persons, 4.72 consumption units, as against 5.02 persons, 4.41 consumption units in a worker's family as studied in December 1941-January 1942.

434 465 511 The total income of the Chinese salaried family studied averaged $688.38 per month. Earnings of the husband accounted for 84.96 per cent, those of other family members only 3.95 per cent. The salaried family, as did the workers family, had to obtain other income; 11.09 per cent came from sub-letting rooms, interest and dividends, gifts and assistance, profits on speculation and gambling.

S. Hinder G-5 (1933-1942) 1944 AF15 East China AF15

Expenditure averaged $885.43 per month. With average earnings at $611.35 the family faced a deficit of $274.08 per month. The total earnings of all family members and other income were still insufficient: the deficit was $197.05. Besides the items of normal income and expenditure there appeared in the budgets of the families "other receipts" and "other disbursements" showing how the deficit was offset and a little cash surplus on hand was secured. Such receipts and disbursements were, in fact, not real income or expenditure, but a number of balancing items like bank withdrawals, borrowing, savings and lending. Other receipts averaged CNC$282.27 and other disbursements CNC$35.62 per family per month. The total family income plus other income plus other receipts totalled CNC$970.65: the aggregate disbursements, *i.e.* consumption expenditure plus non-consumption outgo plus other disbursements totalled CNC$921.05, leaving a cash surplus of CNC$49.60 per family. The records show that more was drawn from than was put into the bank: more was borrowed than refunded. Fifty families lived partly on bank drawings; 38 on loans recovered; 27 on sale of used articles; 46 on borrowings, 10 on receipts from pawned articles. It was stated in many records that earnings had been practically used up in the period since the outbreak of Sino-Japanese hostilities in 1937, and that borrowing had become more difficult in the recent period of stringency.

Belonging to the so-called "long gown" class, Chinese salaried employees occupy a difficult social position, particularly those in the lower income groups. It is obvious that the original base pay of pre-war days was too low, hence adjusted pay was insufficient. There were many children to support: among 92 families were 345 children. There was also the burden of other dependents—an average of 1.15 per family. There were necessary expenditures on social intercourse and on maintaining a social standard, usually in connection with the position held by the head of the household. There is evidence that employees worried over rising prices, securing daily necessities, using up of savings, uncertainty of employment, and were obsessed with other fears. There is certainly need for adjustment in the livelihood of salaried employees, adjustment which of course must be dependent on political developments.

By comparison the cost of living of Chinese salaried employees rose slightly less than did that of workers in the period from 1936

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

511 to July 1942. On the basis of the standard of living in October-
565 December 1941, and with prices ruling in 1936, the general index figures were: 1936—100, October 1941—790.07, June 1942—2,879.10, with the purchasing power of the dollar at 5.17 cents in that month. These figures have reference to prices in Chinese National Currency. With prices in Central Reserve Bank Notes the figure for July 1942 was 1,625.87 with the purchasing power of the 1936 dollar at 6.15 cents. For the purpose of the index it had to be assumed that there existed a shadow of a CRB dollar in 1936. The two currencies existed at par side by side for several months until divergence began in March 1942. This assumption is, therefore, probably justified.

465 No analysis of the payrolls of commercial organizations or educational institutions has been made, as has been done for workers. Hence it is not possible to indicate the real wage position by an accurate figure. There is no doubt, however, that this group in the community, at the start often as inadequately remunerated as were manual workers, suffered greatly in the years of Sino-Japanese hostilities. It is probable that the real income index was even less favourable than that of workers.

466 PAYMENT BY EMPLOYERS of a sum of money to the relatives of workers killed in the performance of their duty has long been an established practice in Shanghai. The custom, in line with the principles underlying compensation laws in the western world, was crystallized into law in China by the promulgation of the Factory Act on December 30, 1929.[1] No case is known where a

[1] See Chapter IX, Articles 45-48 of the Factory Law. A translation of the more significant clauses follows:

The factory shall pay to the workers injured or killed in the performance of their duty allowance for medical treatment and compensation. The amount of allowance and compensation shall be based upon the following scale:

(1) For the worker temporarily incapacitated either through injury or sickness, the factory shall, besides bearing the medical expenses, pay him or her each day an allowance amounting to two thirds of his or her average wages for a period of six months; and upon the expiration of that period, if the worker has not yet recovered, an allowance amounting to one half of his or her average wages, but such payments shall only be made for a period of one year;

(2) For the worker permanently disabled either entirely or in part through injury or sickness, the factory shall pay a disability allowance in proportion to his or her loss of earning capacity. Such allowance shall, however, not exceed

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

tse might be powerful within a trade instead of a district. The real employment manager of several large textile mills in the Settlement was prior to December 1941 one *lao t'ou tse*; the personnel managers and even the management of these enterprises appeared to bow to the influence of this powerful "boss." 466

INDIRECT EMPLOYMENT through contractors was an unsatisfactory state of affairs. In a few instances the efforts of the Industrial and Social Division were successful in inspiring or assisting its elimination. In some textile mills contractors were formerly paid on the basis of the amounts of yarn produced. The system dated from earlier years. The contractors employed the workers and distributed their earnings to them. The management had no means of knowing whether the total earnings due the workers actually reached them or whether, as was probably the case, a considerable percentage was retained by the contractors. The closing down of these mills at the outbreak of hostilities in 1937 gave an opportunity to a management which had long desired to do so to rid itself of this incubus. 466 633 465

During an industrial dispute in an oil mill in which the services of the Division were sought, it was found that workers were both employed and paid by contractors. Base monthly wages paid by the management to the contractors were at a certain rate, but the amounts actually reaching the employees were less, part being retained by the contractor. The settlement of the dispute provided an opportunity to persuade all parties to abandon the contract method of operation, the contractors becoming actual employees at a remuneration sufficient to indemnify them. The new plan was outlined in a collective agreement to which a Division Mediation Officer was a party, and the several hundred workers, in a mass meeting, were informed by the Officer that in the future they would be entitled to the whole of their earnings.

But the old system remained in many spheres of industry. Transportation workers, workers in flour mills, in some textile mills and other undertakings were employees, not of the enterprises themselves, but of contractors engaged by the management. One industrial dispute showed that the *kung t'ou*, or work head, was paying the workers on a unit basis less than he reported to the management, and that the management meanwhile was under 466 465

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

the impression that the men's monthly earnings were greater than those they actually received.

In addition to the practice whereby contractors employed labour and carried out work on behalf of the owners of industrial enterprises, there was one in which intermediaries only supplied labour. Contractors entered into agreements with the parents or guardians of adolescent girls, usually of country origin, by which, in return for a cash payment and an undertaking to provide food and lodging during a contract period, usually three years, they became entitled to the total earnings of the girls until the expiration of the contract. The system bordered on one of slavery. Girl workers, completely in the control of hard taskmasters, were forced to work the long 11-12 hour day or night shift which was the rule in cotton textile operations, and in return were miserably housed and fed. For the term of the contract their earnings passed out of their hands. Only when the contract was worked out to its limit, when all days lost through sickness and unemployment had been made up, were workers free to enjoy their own earnings. In the eyes of some employers who suffered from a rapid labour turnover, this disciplined supply of labour was advantageous. In recent years, however, several Chinese cotton textile mills abandoned this method of labour recruiting, and though it still persisted in a few Chinese companies the trend was toward direct employment of labour. It did not exist in some foreign mills, but many employees of Japanese mills were under contract. It was not in point of fact always possible for employers to tell whether their workers were free or under contract. Some employers declared that they paid wages directly to those who earned them, and that their responsibility ended there. But in some cases they were aware that girls were under contract and condoned the fact. They knew that though their wages were paid directly, the workers had to surrender them to their masters or mistresses.

In some textile mills where the use of workers supplied through contractors was passing, there arose a system of housing workers in dormitories supplied by the factories. In this case the workers were frequently recruited from the country directly by the mill, whose representative brought them to the city. From the point of view of the management, this measure ensured a more